



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY  
AUDITOR-CONTROLLER

WENDY L. WATANABE  
CHIEF DEPUTY

July 5, 2007

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *[Signature]*  
Auditor-Controller

SUBJECT: **ARBOR EDUCATION AND TRAINING, LLC CONTRACT -  
WORKFORCE INVESTMENT ACT ADULT SPECIAL NEEDS  
PROGRAM**

We have conducted a program, fiscal and administrative contract review of Arbor Education and Training, LLC (Arbor or Agency), a Workforce Investment Act (WIA) service provider.

**Background**

The Department of Community and Senior Services (DCSS) contracts with Arbor, a limited liability corporation to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program limited to low income adults 18 years or older, who face multiple barriers to employment. Arbor's offices are located in the Third and Fifth Districts.

Arbor is compensated on a cost reimbursement basis. Arbor's contract was for approximately \$47,000 for Fiscal Year (FY) 2005-06 and \$68,526 for FY 2006-07.

**Purpose/Methodology**

The purpose of the review was to determine whether Arbor complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to

*"To Enrich Lives Through Effective and Caring Service"*

eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

Overall, Arbor provided the services in accordance with the County contract. The program participant interviewed stated that the services the participant received met his expectation. The Agency also updated the Job Training Automation system to report the participants' program activities. However, Arbor did not maintain sufficient documentation to support \$2,614 in program expenditures billed on the FY 2005-06 close-out invoice.

Details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with Arbor on April 25, 2007. In their attached response, Arbor generally concurred with our findings and recommendations. We also notified DCSS of the results of our review.

We will follow up on our recommendations during next year's monitoring review. We thank Arbor for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Executive Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Gabriel Ross, Ph.D., President, Arbor Education and Training, LLC.  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
ARBOR EDUCATION AND TRAINING, LLC  
FISCAL YEAR 2006-07**

**ELIGIBILITY**

**Objective**

Determine whether Arbor Education and Training, LLC (Arbor or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed all six program participants that received services from May through August 2006 and reviewed their case files for documentation to confirm their eligibility for WIA services.

**Results**

All six participants met the eligibility requirements for the WIA program.

**Recommendation**

**There are no recommendations for this section.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for all six participants that received services from May through August 2006. We also interviewed one participant.

**Results**

The participant interviewed confirmed that the services he received met his expectation. However, Arbor did not complete Individual Employment Plans (IEPs) for two (33%) of the six participants. The IEP is an on-going plan, jointly developed by the participant

and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals.

### **Recommendation**

1. Arbor management ensure that staff complete IEPs for all participants.

## **CASH/REVENUE**

### **Objective**

Determine whether cash receipts and revenues were properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there were adequate controls over cash, petty cash and other liquid assets.

### **Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for August 2006.

### **Results**

Arbor maintained adequate controls to ensure that revenue is properly recorded and deposited in a timely manner.

### **Recommendation**

There are no recommendations for this section.

## **EXPENDITURES/PROCUREMENT**

### **Objective**

Determine whether program related expenditures were allowable under the County contract, properly documented and accurately billed.

### **Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation for nine (86%) non-payroll expenditure transactions billed by the Agency for July through September 2006, totaling \$2,867.

**Results**

Arbor's expenditures were generally allowable and properly documented. However, Arbor did not submit its invoices to the Department of Community and Senior Services in a timely manner. Arbor submitted their July and August invoices in October 2007.

**Recommendation**

2. Arbor management ensure that monthly invoices are submitted no later than the 10<sup>th</sup> calendar day of the month.

**INTERNAL CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

Arbor maintained sufficient internal controls over its business operations. However, Arbor's procurement policy requires price quotes for purchases over \$2,000 and \$5,000 for construction projects. WIA guidelines require three documented price quotes for purchases over \$1,000. This finding was also noted in the prior year's monitoring review.

**Recommendation**

3. Arbor management ensure that the Agency's procurement policies and procedures are in compliance with WIA guidelines.

**FIXED ASSETS AND EQUIPMENT**

The objective of this section is to determine whether Arbor's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are adequately safeguarded.

We did not perform test work in this section as Arbor did not use WIA funds to purchase fixed assets or equipment.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures are appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced and agreed the payroll expenditures for all five employees, totaling \$1,784, to the payroll records and time reports for August 2006. We also interviewed two staff and reviewed the personnel files for the five staff assigned to the WIA program.

**Results**

Arbor appropriately charged payroll expenditures to the WIA program. However, for the five employees Arbor did not obtain criminal clearances, maintain copies of their drivers' licenses or proof of car insurance in their personnel files. Subsequent our review, Arbor obtained copies of drivers' licenses and proof of car insurance for three of the five employees. This finding was also noted in the prior year's monitoring review.

**Recommendation**

4. Arbor management ensure that required documentation is maintained in the personnel files.

**COST ALLOCATION PLAN****Objective**

Determine whether Arbor's Cost Allocation Plan was appropriate and reasonable, prepared in compliance with the County contract, and appropriately applied to program costs.

**Verification**

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency from July through September 2006 to ensure that the expenditures were appropriately allocated to the Agency's programs.

**Results**

Arbor's Cost Allocation Plan complied with the County contract requirements and costs were appropriately allocated.

**Recommendation**

There are no recommendations in this section.

**CLOSE-OUT REVIEW****Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

**Verification**

We traced and agreed the Agency's FY 2005-2006 final close-out invoice submitted to DCSS, which summarizes the total program expenditures for the fiscal year, to the Agency's total WIA program expenditures on their general ledger and reviewed a sample of expenditures incurred in June 2006.

**Results**

Arbor invoiced and received payment for \$46,986 in FY 2005-06. However, Arbor's FY 2005-06 general ledgers only supported \$45,993 in program expenditures, resulting in unsupported expenditures of \$993. Arbor also over billed DCSS \$1,620 for indirect costs and profit by billing based on the budgeted amount instead of applying the approved rate to the actual expenditures. Arbor billed \$4,907 instead of \$3,287 resulting in an over billing of \$1,620. DCSS management concurred with our finding and stated that the Agency should have billed indirect costs and profit based on the approved rates instead of the budgeted amount.

**Recommendations****Arbor management:**

5. Repay \$2,614.
6. Ensure all program expenditures are supported and accurately reported in the general ledgers.
7. Ensure indirect costs and profit billed to DCSS do not exceed the approved rates.

**PRIOR YEAR FOLLOW-UP****Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

**Verification**

We verified whether the outstanding recommendations from the FY 2005-06 monitoring review were implemented. The report was issued in July 2006.

**Results**

The prior year's monitoring report contained five recommendations. Arbor implemented three (60%) of the five recommendations. As indicated earlier, both outstanding findings were also noted during our current monitoring review.

**Recommendation**

8. Arbor management implement the outstanding recommendations from the FY 2005-06 monitoring report.



Los Angeles Resource Center  
5900 Wilshire Blvd., Suite 2350 · Los Angeles, CA 90036 t: 323.932.2550 f: 323.932.2563  
www.arboret.com

June 11, 2007

Department of Auditor-Controller  
Countywide Contract Monitoring Division  
1000 S. Fremont Avenue, Unite 51#  
Building A-9 East, First Floor  
Alhambra, CA 91803  
Attention: J Tyler McCauley, Auditor-Controller

Dear Mr. McCauley,

This letter is in response to the contract review report dated March XX, 2007 regarding the WIA Adult Special Needs contract with the Department of Community and Senior Services (DCSS).

**BILLED SERVICES/CLIENT VERIFICATION**

Arbor Management will ensure that staff members complete IEP's for all enrolled participants.

**EXPENDITURES/PROCUREMENT**

Arbor agrees with this recommendation.

**INTERNAL CONTROLS/CONTRACT COMPLIANCE**

Arbor is working on redefining its procurement policies and procedure according to the county auditor's recommendation. Arbor has provided the proper insurance information.

**PAYROLL AND PERSONNEL**

Arbor does not have a policy to maintain copies of the employees' driver's licenses or proof of car insurance in the employees' personnel files. That information is maintained at the operational level. Background checks for the five employees have been printed for the personnel files. Due to the confidentiality of this information, we have not attached copies to this response. This information will be available at your next visit.

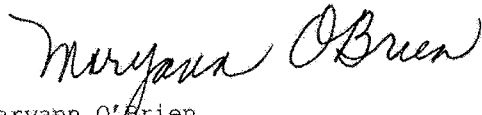
**CLOSE OUT REVIEW**

Arbor previously responded to the monitoring report regarding the amount of profit Arbor charged the County of Los Angeles for this contract. A response from Arbor's management will be forthcoming after verifying contract terms and specifications of FAR.

Simpson & Simpson  
6/11/2007  
2 of 2

Please contact me at 323-932-2556 with any questions regarding this response.

Thank you.

A handwritten signature in cursive script that reads "Maryann O'Brien".

Maryann O'Brien  
Accounting Manager  
Arbor E&T  
Los Angeles Resource Center

Enc.

cc: Karen Ramage  
Cindy Swaisgood  
Gary Suter